



# Department of Justice

United States Attorney David E. Nahmias  
Northern District of Georgia

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CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

## **FORMER EXECUTIVES INDICTED ON CHARGES OF CONSPIRACY AND SECURITIES FRAUD RELATED TO ARTIFICIAL STOCK INFLATION**

### ***Company Allegedly Used Intentionally False News Releases to Propel Scheme***

Atlanta, GA - DARRYL HORTON, 48, of Okemos, Michigan; BENJAMIN STANLEY, 47, of Kennesaw, Georgia; and RUFUS PAUL HARRIS, 41, of Adairsville, Georgia, made their first appearance today before a United States Magistrate Judge on federal charges of securities fraud and conspiracy in connection with a scheme to defraud investors of the publicly-traded entity known as Conversion Solutions Holdings Corporation ("CSHC").

HORTON, STANLEY, and HARRIS were indicted on September 15, 2009. HORTON was arrested on October 17, 2009. STANLEY and HARRIS surrendered today.

According to Acting United States Attorney Sally Quillian Yates, the charges and other information presented in court: HARRIS was the founder and Chief Executive Officer of CSHC, STANLEY was the co-founder and Chief Operating Officer, and HORTON was the Chief Financial Officer. The indictment alleges that the three defendants conspired to issue false press releases and financial statements about the company for the purpose of inflating the stock price, while at the same time they were secretly transferring their own shares to family members who sold at the inflated prices.

The indictment charges that the defendants allegedly began issuing a series of press releases beginning in approximately August 2006, that publicly claimed CSHC's ownership or control of entire issuances of foreign sovereign bonds issued by the Republics of Venezuela and Finland. These bonds were, on their face, worth billions of dollars and paid tens of millions in annual interest. In at least one of the press releases, HARRIS was quoted as stating that, based on CSHC's acquisition of such large quantities of sovereign debt, "we are looking at a new justifiable reorganization release price of \$25.63 [per share]." At the time, CSHC shares generally traded at less than approximately \$1 per share. The indictment further alleges that, in October 2006, CSHC

issued an annual report claiming as much as \$800 million in assets, \$500 million of which was in the form of foreign sovereign bonds as stated in at least some of the press releases. Also according to this report and its attachments, CSHC's income included \$19,869,792 in interest revenue from those bonds.

The indictment alleges that the three defendants knew these public statements were untrue, and that they knew that CSHC had little if any assets of any value and did not own or control the foreign sovereign bonds and other assets that it claimed to have. CSHC also had little if any in the way of revenue or profits from any business activity.

During the weeks that the alleged misrepresentations were being publicly disseminated via press releases and SEC filings, CSHC's stock price on the open market more than tripled. The stock, which was a "penny-stock" trading for less than \$1 per share in August 2006, appreciated to more than \$3 per share in October 2006. During this time, HARRIS, STANLEY and HORTON allegedly transferred substantial quantities of CSHC stock to family members and others, who sold the stock in the open market at artificially inflated prices of between \$2-\$3 per share.

The indictment charges HARRIS, HORTON and STANLEY with one count of conspiracy to commit securities fraud and one count of securities fraud each. HARRIS is also charged with one count of providing a false certification of a financial statement. The securities fraud charges carry a maximum sentence of 25 years in prison and a fine of up to \$250,000. The false certification of a financial statement charge carries a maximum sentence of 10 years in prison and a fine of up to \$1,000,000. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Members of the public are reminded that the indictment only contains charges. The defendants are presumed innocent of the charges and it will be the government's burden to prove the defendants' guilt beyond a reasonable doubt at trial.

This case is being investigated by Postal Inspectors from the United States Postal Inspection Service, and the FBI. This case was referred to the United States Attorney's Office by the U.S. Securities & Exchange Commission, which previously filed a lawsuit against Conversion Solutions and HARRIS.

Assistant United States Attorneys Justin S. Anand and Jamila M. Hall are prosecuting the case.

For further information please contact Sally Q. Yates, Acting United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The

Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).